

**NKANDLA MUNICIPALITY  
UNAUDITED  
ANNUAL FINANCIAL STATEMENTS**



**FOR THE YEAR  
ENDED 30 JUNE 2011**

**NKANDLA MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2011**

**TABLE OF CONTENTS**

	<b>Page</b>
1 General information	1 - 2
2 Report of the Auditor-General South Africa	3
4 Statement of the Municipal Managers Responsibility	4
5 Accounting policies	5- 11
6 Statement of Financial Position	12
7 Statement of Financial Performance	13
8 Statement of Changes in Net Assets	14
8 Cash flow statement	15
9 Notes to the annual financial statements	16 - 29
10 Appendices	
Analysis of Grant Creditors and Provisions	
Analysis of Property, Plant and Equipment	
Segmental Analysis of Property, Plant and Equipment	
Analysis of Financial Performance	
Segmental Analysis of Financial Performance	
Statistical information	

## **NKANDLA MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

#### **GENERAL INFORMATION**

##### **MEMBERS OF THE EXECUTIVE COMMITTEE**

Her Worship - The Mayor	: Cllr B.Z. Mncadi - Mpanza
Deputy Mayor	: Cllr T.O. Ndlela
Speaker	: Cllr B.M Ngcobo
Exco Member	: Cllr S.O Sibiya
Exco Member	: Cllr A.T. Ntuli
Exco Member	: Cllr B.W. Sibiya

##### **SPEAKER OF COUNCIL**

Total number of councilors: 27

##### **Grading of Municipality**

Grade 2 (in terms of Government Notice R1224 dated 1 December 2006)

##### **Auditors**

The Auditor-General  
Private Bag X9034  
PIETERMARITZBURG  
3200

**NKANDLA MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**NKANDLA MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**GENERAL INFORMATION (continued)**

**Bankers**

ABSA Bank of South Africa (Operating account)

**Registered office**

Maree Road , Lot 292	Private Bag x 161
Nkandla	Nkandla
3855	3855

Telephone (035) 833 2000  
Fax (035) 833 0920

**MUNICIPAL MANAGER**

ME Ngonyama (effective 18 July 2011)  
Matric, Executive Leadership Development Programme - Municipal Manager's Certificate  
(School of Public Administration and Development Management, UKZN)  
Certificate in Municipal Finance Management (Wits Business School)

**CHIEF FINANCIAL OFFICER**

AZ Ntshangase (effective 02 January 2009)  
Matric, ND: Cost & Management Accounting  
Certificate in Municipal Finance Management (Wits Business School)

**NKANDLA MUNICIPALITY**

**REPORT OF THE AUDITOR-GENERAL**

**30 JUNE 2011**

The report of the Auditor-General South Africa will be inserted after the audit.

## STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY

### NKANDLA MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The Nkandla Municipality is situated Lot 292, Maree Road, Nkandla is a category B Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these financial statements, which are set out on page 1 to 27 in terms of Section 126 (1) of the Municipal Finance Management Act, Act 56 of 2003 which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed on note 12 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of the Public Office Bearers and the Minister of Provincial and Local Government's determination in accordance with this act.

.....  
**Mr ME Ngonyama**  
**Municipal Manager**

**31 August 2011**  
**Date**

**NKANDLA MUNICIPALITY**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2011

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below as per Directive 4.

**NKANDLA MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2011**

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

**2 PROPERTY, PLANT AND EQUIPMENT**

**2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.



**NKANDLA MUNICIPALITY  
ACCOUNTING POLICIES**

**for the year ended 30 June 2011**

**2.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**2.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

	<u>Years</u>	<u>Other</u>	<u>Years</u>
<b>Infrastructure</b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Other vehicles	5
Electricity	20-80	Office equipment	3-7
		Furniture and fittings	7-10
<b>Community</b>			
		Bins and containers	5
Buildings	30	Other items of plant and equip	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**2.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**NKADLA MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2011**

**3 INTANGIBLE ASSETS**

**3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

**3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**NKANDLA MUNICIPALITY**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2011

**3.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**4 FINANCIAL INSTRUMENTS**

**4.1 SUBSEQUENT MEASUREMENT**

Financial instruments are initially recognised at fair value.

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or

**4.2 RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are

**4.3 IMPAIRMENT OF TRADE RECEIVABLES**

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**4.4 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**4.5 CASH AND CASH EQUIVALENTS**

Cash includes cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

**4.6 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**4.7 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**NKANDLA MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2011**

**4.8 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**4.9 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

**5 COMPARATIVE INFORMATION**

**5.1 Current Year Comparatives**

Budgeted amount have been included in an annexure to these financial statements for current financial year only.

**5.2 Prior Year Comparatives**

When presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are restated. The nature and reason for the reclassification is disclosed. When there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparative is restated accordingly.

**6 REVENUE**

**6.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

**NKANDLA MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2011**

**6.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

**7 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**14 TRANSITIONAL PROVISIONS**

The Municipality has complied with the following Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

**15 INVESTMENT PROPERTY**

**15.1 INITIAL RECOGNITION**

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

**15.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Land is not depreciated.

The useful life of buildings is 7 years

**NKANDLA MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2011**

**16 INVESTMENTS**

Investments, which include listed, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the

NKANDLA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R Restated
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>		<b>184 831 587</b>	<b>169 926 728</b>
Property, Plant and Equipment	3	184 580 056	169 842 704
Intangible Assets	4	213 531	46 024
Investments property		38 000	38 000
<b>CURRENT ASSETS</b>		<b>49 246 723</b>	<b>27 969 304</b>
Accounts receivables	6	9 185 270	1 925 428
VAT receivables	6	737 597	469 221
Cash and cash equivalents	5	39 323 856	25 574 655
<b>TOTAL ASSETS</b>		<b>234 078 311</b>	<b>197 896 032</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>		<b>195 855 497</b>	<b>166 828 329</b>
Accumulated Surplus/ (Deficit)	1	195 855 497	166 828 329
<b>NON CURRENT LIABILITIES</b>		<b>3 705 573</b>	<b>3 500 000</b>
Non-Current Provisions		3 705 573	3 500 000
<b>CURRENT LIABILITIES</b>		<b>34 517 242</b>	<b>27 567 703</b>
Provisions	7	808 672	897 770
Unspent Conditional Grant and Receipts	2	29 419 649	22 590 312
Accounts payables	8	4 288 921	4 079 621
<b>TOTAL LIABILITIES</b>		<b>38 222 815</b>	<b>31 067 703</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>234 078 312</b>	<b>197 896 032</b>

**NKANDLA MUNICIPALITY**
**STATEMENT OF FINANCIAL PERFORMANCE**
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Actual 2011 R	Actual 2010 R
<b>REVENUE</b>			
Rental of Facilities and equipment		340 800	273 805
Interest Earned - External Investment		1 261 954	538 819
Interest Earned - Outstanding Receivables		117 987	-
Government and Provincial grants and subsidies	14	57 488 260	36 096 886
Property Rates		1 422 804	1 241 069
Refuse Removal		126 014	357 800
Sundry Income	15	585 103	141 887
Electricity		7 220 645	-
<b>TOTAL REVENUE</b>		<b>68 563 566</b>	<b>38 650 266</b>
<b>EXPENDITURE</b>			
Employee Related Costs	11	11 466 346	11 210 702
Remuneration of Councillors	12	4 881 049	4 437 659
Bad Debts		1 659 191	67 151
Depreciation	13	2 844 064	2 260 800
General expenses	16	15 288 328	11 808 052
Repairs and maintenance		661 125	836 809
Operating Lease		543 399	499 260
Finance Costs		205 573	318 182
Grant Expenditure		1 987 324	
<b>Total Expenditure</b>		<b>39 536 399</b>	<b>31 438 615</b>
<b>Net Surplus/ (Deficit)</b>		<b>29 027 167</b>	<b>7 211 651</b>



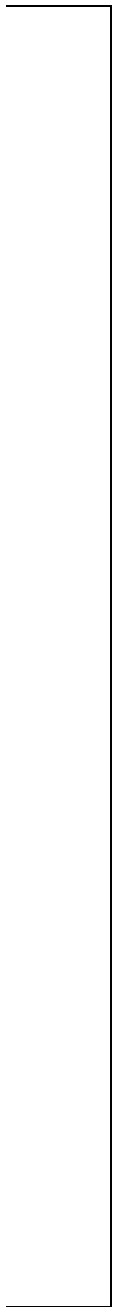
**NKANDLA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**as at 30 June 2011**

	Notes	Accumulated Surplus/ Dificit  R	Total  R
2010			
Restated Balance as at 1 July 2009		143 630 498	143 630 498
Change in accounting policy		-	-
<b>Restated Balance</b>		<b>143 630 498</b>	<b>143 630 498</b>
Surplus/(deficit) for the year		7 211 651	7 211 651
Correction of Prior Year Error	26	15 986 180	15 986 180
<b>Balance as at 30 June 2010 - Restated</b>		<b>166 828 329</b>	<b>166 828 329</b>
Prior Year Adjustment		0	0
Surplus/(deficit) for the year		29 027 167	29 027 167
<b>Balance as at 30 June 2011</b>		<b>195 855 497</b>	<b>195 855 497</b>

**NKANDLA MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		59 671 300	39 013 854
Cash paid to suppliers and employees		(29 600 027)	(21 797 065)
Cash generated from operations		30 071 273	17 216 789
Interest received		1 379 941	538 819
Interest paid		(205 573)	(318 182)
<b>Net cash flows from operating activities</b>		<b>31 245 642</b>	<b>17 437 426</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	(10 667 102)	(12 423 115)
Proceeds on disposal of property, plant and equipment		-	120 000
Decrease in Government Grants		(6 829 337)	18 853 466
Decrease in non-current receivables		-	-
(Increase)/Decrease in non-current investments		-	(17 211 931)
<b>Net cash flows from investing activities</b>		<b>(17 496 439)</b>	<b>(10 661 580)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in Long Term Liabilities		-	-
Increase/(Decrease) in consumer deposits		-	-
Non-operating income receipted in provisions/reserves		-	-
Non-operating expenditure charged against provisions/reserves		-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>13 749 202</b>	<b>6 775 846</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>25 574 655</b>	<b>416 777</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>39 323 856</b>	<b>7 192 623</b>
		<b>(13 749 202)</b>	<b>(6 775 846)</b>



**NKANDLA MUNICIPALITY**  
**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011**

	<b>2011</b>	<b>2010</b>
	<b><u>R</u></b>	<b><u>R</u></b>
<b>1 ACCUMULATED SURPLUS</b>		
Accumulated surplus at the beginning	150 842 149	143 630 498
Surplus at the end of the year	<u>29 027 167</u>	<u>7 211 651</u>
	<b><u>179 869 316</u></b>	<b><u>150 842 149</u></b>
<b>2. UNSPENT CONDITIONAL GRANT</b>		
Finance Management Grant (FMG)	288 208	526 470
Municipal systems improvement grant(MSIG)	307 554	332 212
Electrification grant	9 324 112	-
Municipal infrastructure grant(MIG)	8 561 236	10 199 090
Elearning Grant	167 230	167 230
Sports and Recreation	137 051	137 051
Cyber cadet grant	54 213	29 803
Small Town rehabilitation grant	<u>10 580 046</u>	<u>11 198 456</u>
	<b><u>29 419 649</u></b>	<b><u>22 590 312</u></b>

### 3. PROPERTY PLAN AND EQUIPMENT

#### Property, Plant And Equipment at 30 JUNE 2011

	Infrastructure Assets R	Land R	Building R	Vehicles R	Office Furniture Equipment & ot R	Total R
Reconciliation of Carrying Value						
<b>Carrying Value as at 1 July 2010</b>	60 946 803	104 025 940	3 512 316	352 350	4 339 087	173 176 496
Costs	61 725 617	104 025 940	4 329 275	1 319 033	7 914 072	179 313 937
Capital under Construction WIP						-
Prior Period Error	0					-
uThungulu District Municipality Transfers of Electricity Assets	3 333 792					3 333 792
Accumulated depreciation and impairment losses	(4 112 606)	-	(816 959)	(966 683)	(3 574 985)	(9 471 233)
Acquisitions	6 423 865	-	3 154 880	-	323 079	9 901 824
Capital under Construction WIP	8 656 108					8 656 108
Depreciation	(1 257 191)	-	(145 607)	(161 142)	(1 280 124)	(2 844 064)
	(4 876 967)	-	(57 999)	39 147	585 511	(4 310 307)
Loss on sale	(4 876 967)	-	(57 999)	39 147	585 511	(4 310 307)
Cost/Revaluation		-				
Accumulated depreciation and impairment losses	-	-	-			-
Impairment loss/Reversal of impairment loss						
Transfers						
*Other movements						
<b>Carrying Value at 30 June 2011</b>	69 892 618	104 025 940	6 463 589	230 355	3 967 554	184 580 056
Costs	66 606 307	104 025 940	7 426 155	1 358 180	8 822 663	188 239 246
Capital under Construction WIP	8 656 108					8 656 108
Accumulated depreciation and impairment losses	(5 369 797)	-	(962 566)	(1 127 825)	(4 855 109)	(12 315 297)
<b>Carrying Value at 30 June 2011</b>	<b>69 892 618</b>	<b>104 025 940</b>	<b>6 463 589</b>	<b>230 355</b>	<b>3 967 554</b>	<b>184 580 056</b>

Property, Plant And Equipment continued

	Infrastructure Assets R	Land R	Building R	Vehicles R	Office Furniture Equipment & ot R	Total R
Reconciliation of Carrying Value						
<b>Carrying Value as at 1 July 2009</b>	64 480 192	104 025 940	3 656 626	416 937	4 941 825	177 521 520
Costs	41 886 453	104 025 940	4 329 275	1 242 101	7 607 037	159 090 806
Capital under Construction WIP	9 661 285					
Change in Accounting policy Correction of Prior Year Error	15 986 180					15 986 180
Accumulated depreciation	(3 053 726)	-	(672 649)	(825 164)	(2 665 212)	(7 216 751)
Acquisitions	3 852 984			76 932	307 035	4 236 951
Capital under Construction						-
Depreciation	(1 058 880)	-	(144 310)	(141 519)	(909 773)	(2 254 482)
Carrying value of disposal						-
Costs						
Accumulated Depreciation						
Impairment Losses						
Other Movements						
<b>Carrying Value at 30 June 2010</b>	<b>57 613 011</b>	<b>104 025 940</b>	<b>3 512 316</b>	<b>352 350</b>	<b>4 339 087</b>	<b>169 842 704</b>
Costs	61 725 617	104 025 940	4 329 275	1 319 033	7 914 072	179 313 937
Capital under Construction WIP	0					-
Accumulated Depreciation	-4 112 606	0	-816 959	-966 683	-3 574 985	-9 471 233

#### 4 Intangible Assets

	2011 R	2010 R
Reconciliation of Carrying Value		
<b>Carrying Value as at beginning of the year</b>	46 024	6 162
Costs	55 162	8 984
Capital under Construction WIP		-
Change in accounting policy		
Correction of Error		
Accumulated depreciation and impairment losses	-9 138	(2 822)
Acquisitions		46 178
Depreciation	(95 385)	(6 316)
Disposal cost		-
Disposal Accumulated Depreciation		
Loss on sale	262 891	-
Cost/Revaluation	262 891	-
Accumulated depreciation and impairment losses	-	-
Impairment loss/Reversal of impairment loss		
Transfers		
*Other movements		
<b>Carrying Value at end of the Year</b>	213 531	46 024
Costs	318 053	55 162
Accumulated depreciation and impairment losses	(104 523)	(9 138)
<b>Carrying Value at end of the Year</b>	<b>213 531</b>	<b>46 024</b>

#### INVESTMENT PROPERTY 2011

	Cost/Valuation	Accumulated Depreciation	Carrying Value
Investment property	38000	0	38000

#### 2010

	Cost/Valuation	Accumulated Depreciation	Carrying Value
Investment property	38000	0	38000

#### 5 CASH AND CASH EQUIVALENTS

Cash on hand	8 807	2 853
Cash at bank	116 323	7 189 770
Call deposits	39 198 726	18 382 032
	<b>39 323 856</b>	<b>25 574 655</b>

The Municipality has the following bank accounts: -

#### Current Account (Primary Bank Account)

ABSA BANK - Public Sector

Bank statement balance at end of year

479 166
---------

#### Call Deposit

Absa Call account	10 745 497	5 056 924
ABSA MIG call account	4 250 470	7 604 449
ABSA Conditional call accounts	24 202 759	5 720 659
Total Call Deposits	39 198 726	18 382 032

Managements' valuation of unlisted investments.

<b>39 198 726</b>	<b>18 382 032</b>
-------------------	-------------------

Page 19

2011  
R

2010  
R

#### 6. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Rates&Refuse Debtors	13 832 083	5 997 554
Less: Provisions for bad Debts and Discounting of debtors	(6 449 317)	(4 790 126)
	<b>7 382 766</b>	<b>1 207 428</b>
Debtors controll vat	1 096 904	-
Refuse Debtors		-
Sundry Debtors	705 600	718 000
	<b>9 185 270</b>	<b>1 925 428</b>

#### 6.1. Rates, Refuse and Electricity : Ageing

Current (0 - 30 days)	489 290	144 251
31 - 60 Days	1 324 001	133 853
61 - 90 Days	481 125	133 622
91 - 120 Days	10 461 804	795 702
Less provision for doubtful debts	-6 449 317	-

Total	6 306 904	1 207 428
-------	-----------	-----------

#### Reconciliation of the doubtful debt provision

Balance at beginning of the year	4 790 126	4 722 975
Contributions to provision	1 659 191	67 151
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>6 449 317</b>	<b>4 790 126</b>

#### **OTHER DEBTORS**

##### **Sundry Debtors**

705 600	718 000
---------	---------

##### **VAT Receivable**

##### Value Added Tax

737 597	469 221
---------	---------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

#### **7. PROVISIONS**

Provision for performance bonuses	-	-
Provision for rehabilitation of landfill site	3 705 573	3 500 000
Leave	808 672	897 770
	<b>4 514 245</b>	<b>4 397 770</b>

Provisions for leave pay was made based budgeted figure in the budget. Calculated based on 15days multiply by applicable rate of each employee.

#### **8. ACCOUNTS PAYABLES**

Trade Creditors	-	1 310 866
Other payables	754 801	1 839 679
Other Deposit	-	32 418
Accruals	2 201 195	896 658
Suspense Clearing	-	-
Income recieved in advance	1 332 925	-
	<b>4 288 921</b>	<b>4 079 621</b>

Page 20

#### **9. AUDITORS' REMUNERATION**

Paid during the year	897 627	832 522
<b>Total Auditors' remuneration</b>	<b>897 627</b>	<b>832 522</b>

#### **10. FINANCE TRANSACTIONS**

Total external interest earned/(paid):		
Interest earned	1 261 954	538 819
Interest paid	(205 573)	(318 182)
	<b>1 056 381</b>	<b>220 637</b>

#### **11. EMPLOYEE RELATED COSTS**

Salaries & Wages	8 634 625	8 012 716
Contributions for UIF, pension and medical aids	1 414 378	1 295 430
Travel, motor car, other allowances	777 629	1 192 827
Housing benefits	34 056	69 677
Overtime payments	66 183	107 005
Bonus	539 476	533 047
<b>Total Employee Related Costs</b>	<b>11 466 346</b>	<b>11 210 702</b>

##### **Remuneration of the Municipal Manager**

Annual Remuneration	132 028	548 289
Travelling Allowance	-	-
Performance Bonuses	73 039	112 547
Other (Backpay)	188 186	12 733
<b>Total</b>	<b>393 253</b>	<b>673 569</b>



**Remuneration of the Chief Financial Officer**

	<b>R</b>	<b>R</b>
Annual Remuneration	372 495	458 810
Travelling Allowance	108 000	108 000
Performance Bonuses	-	-
Backpay Salary adjustment	140 330	-
Other	8 468	5 487
<b>Total</b>	<b>629 293</b>	<b>572 297</b>

**Remuneration of Individual Executive Directors****Year ending 30 June 2011**

	<b>Community Services</b>	<b>Technical Services</b>	<b>Corporate Services</b>
Annual Remuneration	-	423 072	124 607
Travelling Allowance	-	150 000	30 600
Bonus	-	47 756	-
Acting Allowance	-	65 734	-
Other(Backpay)	-	11 332	116 984
<b>Total</b>	<b>-</b>	<b>697 894</b>	<b>272 191</b>

**Year ending 30 June 2010**

	<b>Community Services</b>	<b>Technical Services</b>	<b>Corporate Services</b>
Annual Remuneration	342 287	421 606	412 724
Travelling Allowance	96 123	104 850	113 732
Bonus	33 017	40 354	40 355
Acting Allowance	-	50 497	-
Other(Backpay)	5 723	5 723	5 723
<b>Total</b>	<b>477 150</b>	<b>623 030</b>	<b>572 534</b>

**12. COUNCILLORS' REMUNERATION**

Mayor's allowance	291 029	263 970
Deputy Mayor	235 964	213 647
Speaker	236 464	213 647
Executive Committee	650 233	604 803
Ordinary Councillors	3 467 359	3 141 592
<b>Total Councillors' Remuneration</b>	<b>4 881 049</b>	<b>4 437 659</b>

**In- kind Benefits**

The Mayor is provided with an office

	2011 R	2010 R
<b>13. DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	2 844 064	2 254 484
Intangible assets	-	6 316
<b>Total depreciation and amortisation</b>	<b>2 844 064</b>	<b>2 260 800</b>
<b>14 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable Share	34 331 846	30 078 273
Conditional Grants	19 822 622	8 101 723
Transfer From Uthungulu	3 333 792	
	<b>57 488 260</b>	<b>38 179 996</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	10 199 090	2 830 582
Current year receipts	14 872 000	12 873 000
Conditions met - transferred to revenue	(16 509 855)	(5 504 492)
<b>Conditions still to be met - remain liabilities</b>	<b>8 561 236</b>	<b>10 199 090</b>
<b>Finance Management Grant (FMG)</b>		
Balance unspent at beginning of year	526 470	15 822
Current year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 738 262)	(989 352)
<b>Conditions still to be met - remain liabilities</b>	<b>288 208</b>	<b>526 470</b>
<b>Municipal System Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	332 212	-
Current year receipts	750 000	1 215 000
Conditions met - transferred to revenue	(774 658)	(882 788)
<b>Conditions still to be met - remain liabilities</b>	<b>307 554</b>	<b>332 212</b>
<b>Electrification Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	10 000 000	-
Conditions met - transferred to revenue	(675 888)	-
<b>Conditions still to be met - remain liabilities</b>	<b>9 324 112</b>	<b>-</b>
<b>Elearning Grant</b>		
Balance unspent at beginning of year	167 230	376 755
Current year receipts	-	-
Conditions met - transferred to revenue	-	(209 525)
<b>Conditions still to be met - remain liabilities</b>	<b>167 230</b>	<b>167 230</b>
<b>Sport and Recreation Grant</b>		
Balance unspent at beginning of year	137 051	444 443
Current year receipts	-	-
Conditions met - transferred to revenue	-	(307 392)
<b>Conditions still to be met - remain liabilities</b>	<b>137 051</b>	<b>137 051</b>
<b>Cyber cadet Grant</b>		
Balance unspent at beginning of year	29 803	-
Current year receipts	110 000	97 572
Conditions met - transferred to revenue	(85 590)	(67 769)
<b>Conditions still to be met - remain liabilities</b>	<b>54 213</b>	<b>29 803</b>

**Small Town Rehabilitation Grant****Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities

2011 R	2010 R
11 198 456	-
-	11 300 000
(618 410)	(101 544)
<b>10 580 046</b>	<b>11 198 456</b>

**15 Other Income**

Tender Monies

Wood Sales

Hall Hire

Building Plan Fee

TLB Income

Cemetries

Commision received

Rates on penalties

Connection Fee

Licence and Permit

Libray Fees

Refund

84 256	-
1 217	-
18 583	6 842
4 474	45 650
2 933	70 976
8 206	4 870
46 187	5 910
384 719	
5 882	2 824
11 194	-
14 049	900
3 404	3 915
<b>585 103</b>	<b>141 887</b>

**PROPERTY RATES**

Rates are levied on the following properties as per the valuation roll.

**Valuations**

Agriculture

Residential

Business

State owned Property

State owned Land

Vacant Land

Place of Worship

**Total Property Valuations**

3 291 000	3 291 000
14 924 500	14 924 500
19 021 000	19 021 000
55 684 000	55 684 000
207 768 100	207 768 100
748 000	748 000
2 898 000	2 898 000
<b>304 334 600</b>	<b>304 334 600</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 November 2008.

**A general rate are applied.**

'-Business

0.0207c in the Rand

-Residential

0.0196c in the Rand

-State Owned

0.0207c in the Rand

-Vacant Land

0.0219c in the Rand

-Place of Worship

0.0115c in the Rand

**Rebates of the following rates are applied:**

100% of market value of Ingonyama Trust Land  
100% of market value of residential properties less than R17 000

100% of market value of worshipping properties  
First R50 000 on any residential properties

25% of market value less exemption for phasing in discount

4% of market value less exemption for all agricultural properties

4% of market value less exemption for owners who illegible pensioners

4% of market value less

exemption for indigent owners

42% of market value less

exemption and rebates from all categories is reserved for relief during disaster

**SERVICE CHARGES**

Sale of electricity

Refuse removal

2011

R

2010

R

7 220 645

126 014

357 800

**7 346 659**

**BULK PURCHASES**

Electricity

**Total Bulk Purchases**

6 286 168

6 286 168

-

**Operating leases**

**Operating leases - lessee**

Within one year

In the second to fifth year inclusive

**Total**

579 646

553 976

**1 133 622**

552 982

528 489

**1 081 471**

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years for printers, three years for tracker and sanitation systems and the lease period for motor vehicles are within the ranges of two to three years.

Lease rentals for printers escalate from 12% to 15% or the increase in lease rentals is linked to the interest rate, over the lease periods. Contingent rentals are dependant on the prime interest rate

**Operating leases – as lessor**

**Minimum lease payments due**

Within one year

In second to fifth year inclusive

After five years

**Total**

543 399

401 348

188 300

**1 133 047**

265 991

687 037

180 019

**1 133 047**

Operating Leases consists of the following:  
 Certain of the municipality's  
 land and building is held to  
 generate rental income. Rental  
 of land and building is expected  
 to generate rental yields of

#### RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities

**Total rentals**

2011  
R

2010  
R

340 800	273 805
<b>340 800</b>	<b>273 805</b>

#### INTEREST EARNED - EXTERNAL INVESTMENTS

Bank

Financial assets

**Total interest**

42 051	0
1 219 903	538 819
<b>1 261 954</b>	<b>538 819</b>

#### INTEREST EARNED - OUTSTANDING RECEIVABLES

Property Rates

117 987      0

#### 16.GENERAL EXPENSES

Included in general expenses are the following:-

ACCOMMODATION EXPENSES	206 103	88 532
ADVERTISING	158 584	75 354
ART & CULTURE COMPET	61 968	44 125
BUSARIES - NEW	33 567	90 785
AUDIT FEES EXTERNAL	897 627	748 964
BANK CHARGES	35 977	689 968
DEPRECIATION	0	99 082
CLEANING & TEAS	314 378	58 553
IT SUPPORT	255 621	90 785
IT NETWORK SUPPORT HP	20 255	-
SECURITY	415 953	15 907
HOUSING PLAN	490	748 964
LIBRARY AND INFORMATION SYSTEM	200 435	689 968
HIV/AIDS PROGRAMME	22 341	58 553
DELEGATION FEE	290	43 943
RENTALS PLANT & VEHICLE	0	201 329
ENTERTAINMENT & FUNCTIONS	24 080	305
SPATIAL PLANNING	27 796	72 759
IT SHARED SERVICES	272 118	8 026
FUEL & OIL	705 272	-
PUBLIC PARTICIPATION	130 205	-
FREE BASIC SERVICES	278 779	133 266
INSURANCE	422 465	935 161
KWANALOGA SUBSCRIPTIONS	100 000	4 141
LEGAL FEES	163 435	-
LICENCES	34 117	754 048
MEMBERSHIP/SUBSCRIPTIONS	40 722	224 724
PMS SUPPORT	59 741	237 317
CELL CONTRACT	195 457	-
POSTAGE & TELEPHONE	637 002	-
PRINTING & STATIONERY	476 191	-
WATER PURCHASES	183 715	176 705
STORES & MATERIAL	4 014	61 573
SEWER CHARGES	116 427	28 926
HIRE OF EQUIPMENT	53 771	739 030
S & T	180 584	1 200
SPORTS & RECREATION	283 088	120 430

	2011	2010
	R	R
<b>16. GENERAL EXPENSES CONT</b>		
STAFF TRAINING	73 171	433 068
ELECTRICITY PURCHASES	6 286 168	404 112
GIS PRINTING & STATIONERY	7 525	278 529
PROFESSIONAL FEES	541 274	1 596 501
LED	148 933	47 595
UNIFORMS	31 928	136 902
DISABILITY	23 880	250 244
YOUTH PROGRAM	139 515	18 593
SOC DEV -INTEGRATED EARLY CHILDHOOD	67 063	-
SMALL OFFICE EQUIPMENT	1 564	9 360
AUDIT COMMITTEE	51 618	5 350
INTERNAL AUDIT UNIT	225 737	85
COMMUNITY SAFETY	720 936	249 497
WOMEN PROGRAM	46 131	44 500
LEAVE	89 098	
	15 288 328	10 716 758

**17. CASH GENERATED BY OPERATIONS**

**Cash receipts from ratepayers, government and other**

Sales of goods and services	8 769 462	1 598 869
Grants received	57 488 260	36 096 886
Interest received	1 379 941	538 819
Other receipt	925 902	415 692
Interest earned	(1 379 941)	(538 819)
(Increase)/Decrease in trade receivables	(7 259 842)	902 407
Prior year adjustment	(252 483)	
Other assets		-

**Cash receipts from ratepayers, government and other**

**59 671 300 39 013 854**

**Cash paid to suppliers and employees**

Employee costs	16 347 395	15 648 361
Other payments	20 139 367	15 790 254
Contribution to provisions- current	(116 475)	17 559 324
Increase/(Decrease) in conditional grants	(6 829 337)	10 774 950
Increase in property, plant and equipment	-	(30 978 291)
Increase/(Decrease) in trade payables	(209 300)	(2 680 008)
(Increase)/Decrease in VAT	268 376	(4 317 525)

**29 600 027 21 797 065**

**Cash generated from operations**

**30 071 273 17 216 789**

**Reconciliation of Net Surplus to Cashflow Generated from operations**

**Net Surplus for the year**

**29 027 167 7 211 651**

**Adjustment for:**

Depreciation	2 844 064	2 260 800
Prior Year Correction of Error	-	
Interest paid	-	-
Loss on Sale of Assets	-	-
Interest earned	(716 364)	(1 697 504)
(Increase)/Decrease in trade receivables	(2 086 855)	1 751 722
Increase in property, plant and equipment	-	28 717 491
Contribution to provisions- current	116 475	(17 559 324)
Increase/(Decrease) in conditional grants	6 829 337	(10 774 950)
Increase/(Decrease) in trade payables	209 300	2 680 008
(Increase)/Decrease in VAT	(268 376)	4 317 525

**Cash generated from operations**

**35 954 747 16 907 419**

	2011 R	2010 R
<b>18. CONTINGENT LAIBILITIES</b>		
No contingent liability		
<b>19. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure		
-approved and contracted for	25 684 534	21 304 092
-approved but not yet contracted for	-	-
	<b>25 684 534</b>	<b>21 304 092</b>
This expenditure will be financed from		
-internal sources		
-external sources	-	-
National Grant	25 684 534	21 304 092
Provincial government	-	-
	<b>25 684 534</b>	<b>21 304 092</b>

## 20 Statement of comparative and actual information

### Financial performance

	Final budget	Actual Outcome	Variance	Actual Outcome as % budget
Property rates	1 672 344	1 422 804	-249 540	85%
Service charges	4 053 149	126 014	-3 927 135	3%
Transfers recognised grants	63 854 557	57 488 260	-6 366 297	90%
Other own revenue	1 602 236	9 526 488	7 924 253	595%
<b>TOTAL INCOME</b>	<b>71 182 286</b>	<b>68 563 566</b>	<b>-2 618 720</b>	<b>96%</b>
Employee costs	14 044 935	11 466 346	-2 578 589	82%
Remuneration of councillors	6 391 043	4 881 049	-1 509 994	76%
Transfers and grants	31 215 354	1 987 324	-29 228 030	6%
Other own expenditure	20 029 945	21 201 680	1 171 735	106%
<b>TOTAL EXPENDITURE</b>	<b>71 681 276</b>	<b>39 536 399</b>	<b>-32 144 877</b>	<b>270%</b>
<b>Surplus/(Deficits)</b>	<b>-498 991</b>	<b>29 027 166</b>	<b>29 526 157</b>	<b>-174%</b>

### 21 Irregular expenditure

#### Reconciliation of irregular expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	2 250 675	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<b>2 250 675</b>	<b>-</b>

Incident	Disciplinary steps/criminal proceedings
<i>Irregular expenditure incurred from SCM and Finance did not attend the evaluation committee meeting and only three Senior Managers attended the Adjudication Meeting instead of four.</i>	Item to be submitted to Council for Condonement.

### 22 CONTINGENT LIABILITY

The were no Congingent liabilities

### 23 RISK MANAGEMENT

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and monitored monthly

Below are the liabilities or obligations due by the municipality within the next financial year

## 24 EMPLOYEE BENEFITS

All Councillors and Employees belong to the following funds within the Natal Joint Municipal Pension fund which provides retirement benefits to such employees.

The retirement plan is subject to the Pension Funds Act, 1956

In accordance with the regulations governing the Fund and in compliance with Section 16 of the Pension Funds Act, 1956 (Act No. 24 of 196) the financial position of the Fund is examined and reported upon but the Valuator at intervals not exceeding three years.

In practice the Valuator conducts a statutory valuation on a triennial basis and an interim on an annual basis.

Interim Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R121,7 million more than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R210,0 million in respect of pensioners (funding level 119,4%)
- deficit of R88,3 million in respect of members (funding level 95,0%) of which deficit
- about R49,0 million was attributable to salary increases being higher than expected (the average salary increased by 9,7% over the three years which is substantially in excess of inflation).

The Fund was thus 104,3% funded. The Fund did not hold an investment reserve.

## Statutory Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R140,9 million less than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- deficit of R204,3 million in respect of members (funding level 73,0%) attributed to salary increases being higher than expected (the average salary increased by 11,1% over the three year period which is substantially in excess of inflation).

### Councillor's arrear consumer accounts

	Total	Outstanding Less than 90 Days	Outstanding More than 90 Days
No councillors had arrear accounts outstanding for more than 90 days as at:			
	-	-	-
<b>As at 30 June 2011:</b>	-	-	-
There were no councillor's arrears consumer accounts during 2011.	-	-	-
	-	-	-
<b>As at 30 June 2010</b>	-	-	-
There were no councillor's arrears consumer accounts during 2010.	-	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	-	-	-



**CHANGE IN ACCOUNTING POLICY -  
26 IMPLEMENTATION OF GRAP**

**CORRECTION OF ERROR**

**2 010**

During the year ended 30 June 2010, None Current Assets values were corrected to agree with the Fixed Asset Register and the following net adjustments were made.

**Cost - Non Current Assets**

Opening WIP  
Additions - WIP  
Transfer WIP  
Cost - Building  
Cost - Community Assets  
Cost - Infrastructure  
Cost - Land  
Cost - Office Equipment  
Cost - Computer Equipment  
Cost - Computer Software  
Cost - Furniture and Fittings  
Cost - Motor Vehicle  
Cost - Plant & Machinery  
Cost - Parkhome

**15 992 737**

-15 771 448  
-412 417  
6 015 685  
3 154 880  
8 814 973  
13 614 708  
-38 000  
15 288  
124 525  
291 276  
46 153  
0  
24 093  
113 020

**Less : Accumulated Depreciation**

Acc Depreciation Cost - Building  
Acc Depreciation Cost - Community Assets  
Acc Depreciation - Infrastructure  
Acc Depreciation - Office Equipment  
Acc Depreciation - Computer Equipment  
Acc Depreciation - Computer Software  
Accumulated Depreciation - Furniture and Fittings  
Acc Depreciation - Motor Vehicle  
Acc Depreciation - Plant & Machinery  
Acc Depreciation - Parkhome  
Acc Depreciation - Landfill Site

**6 557**

0  
-36 333  
11 176  
-1 951  
-11 251  
45 826  
6 582  
-39 148  
4 383  
3 694  
23 577

**Net Book Value**

**15 986 180**

**Net effect on surplus/(deficit) for the year**

**15 986 180**

**27 RESTATEMENT STATEMENT**

During the year ended 30 June 2010, None Current Assets values were corrected to agree with the Fixed Asset Register and the following net adjustments were made.

**2010  
Restated**

**2010  
Previously Stated**

**27.1 Nett Current Assets**

Previously Stated  
Increase / (Decrease)  
**Restated Amount**

153 940 548 153 940 548

15 986 180

**169 926 728 153 940 548**

**27.2 Accumulated Surplus**

Previously Stated  
Increase / (Decrease)  
**Restated Amount**

150 842 149 150 842 149

15 986 180

**166 828 329 150 842 149**

**NKANDLA MUNICIPALITY**  
**APPENDIX A**  
**CONDITIONAL GRANTS AND RECEIPTS AT 30 JUNE 2011**

	Balance at 01/7/2010 R	Contributions during the year R	expenditure during the year R	Balance at 30/06/2011 R
<b>UNSPENT CONDITIONAL GRANTS</b>				
Finance Management Grant (FMG)	526 470	1 500 000	1 738 262	288 208
Municipal systems improvement grant(MSIG)	332 212	750 000	774 658	307 554
Municipal infrastructure grant(MIG)	10 199 090	14 872 000	16 509 855	8 561 236
Cyber cadet grant	29 803	110 000	85 590	54 213
Small Town rehabilitation grant	11 198 456	-	618 410	10 580 046
Elearning Grant	167 230	-	-	167 230
Electrification grant	-	10 000 000	675 888	9 324 112
Sports and Recreation	137 051	-	-	137 051
<b>TOTAL</b>	<b>22 590 312</b>	<b>27 232 000</b>	<b>20 402 663</b>	<b>29 419 649</b>

NKANDLA MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

Description	Historical Cost					Accumulated Depreciation				Carrying Value
	Opening Balance Cost	Additions / Write-Ons	Disposals / Write-Offs	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals / Write-Offs	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
<b>Land</b>					-				-	-
Undeveloped land	104 005 940	-	-	-	104 005 940	-	-	-	-	104 005 940
	<b>104 005 940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104 005 940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104 005 940</b>
					-				-	-
<b>Buildings</b>					-				-	-
Park Home	130 406	113 020			243 426	36	7 459		7 495	235 931
Non residential structures	4 329 275	3 154 880			7 484 155	816 959	145 607		962 566	6 521 589
	<b>4 459 681</b>	<b>3 267 900</b>	<b>-</b>	<b>-</b>	<b>7 727 581</b>	<b>816 995</b>	<b>153 066</b>	<b>-</b>	<b>970 061</b>	<b>6 757 520</b>
<b>Other structures</b>					-				-	-
Community Assets	18 439 782	11 969 845			30 409 627	2 718 057	614 659		3 332 716	27 076 911
Infrastructure	17 791 832	17 758 148			35 549 980	1 394 549	-4 168		1 390 381	34 159 599
	<b>36 231 614</b>	<b>29 727 993</b>	<b>-</b>	<b>-</b>	<b>65 959 607</b>	<b>4 112 606</b>	<b>610 491</b>	<b>-</b>	<b>4 723 097</b>	<b>61 236 510</b>
<b>Solid Waste Disposal</b>					-				-	-
Landfill site	2 892 562	-	-	-	2 892 562	361 570	23 577	-	385 147	2 507 415
	<b>2 892 562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 892 562</b>	<b>361 570</b>	<b>23 577</b>	<b>-</b>	<b>385 147</b>	<b>2 507 415</b>
<b>Other</b>					-				-	-
Office Equipment	115 358	15 288			130 646	76 139	13 997		90 136	40 510
Machinery and Equipment	1 675 270	24 093			1 699 363	961 434	132 784		1 094 218	605 145
	<b>1 790 628</b>	<b>39 381</b>	<b>-</b>	<b>-</b>	<b>1 830 009</b>	<b>1 037 573</b>	<b>146 781</b>	<b>-</b>	<b>1 184 354</b>	<b>645 655</b>
					-				-	-
Furniture and office equipments	1 332 259	46 153			1 378 412	889 731	126 828		1 016 559	361 853
	<b>1 332 259</b>	<b>46 153</b>	<b>-</b>	<b>-</b>	<b>1 378 412</b>	<b>889 731</b>	<b>126 828</b>	<b>-</b>	<b>1 016 559</b>	<b>361 853</b>
<b>Computer Equipments</b>					-				-	-
Computer Hardware	1 768 217	124 525	-	-	1 892 742	1 286 075	389 967	-	1 676 042	216 700
	<b>1 768 217</b>	<b>124 525</b>	<b>-</b>	<b>-</b>	<b>1 892 742</b>	<b>1 286 075</b>	<b>389 967</b>	<b>-</b>	<b>1 676 042</b>	<b>216 700</b>
<b>Transport Assets</b>					-				-	-
Motor Vehicle	1 319 033	0	-	-	1 319 033	966 683	121 995	-	1 088 678	230 355
	<b>1 319 033</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>1 319 033</b>	<b>966 683</b>	<b>121 995</b>	<b>-</b>	<b>1 088 678</b>	<b>230 355</b>
<b>Intangibles</b>					-				-	-
Intangible asset					-				-	-
Computer Software	55 162	262 891	-	-	318 053	13 135	91 388	-	104 523	213 530
	<b>55 162</b>	<b>262 891</b>	<b>-</b>	<b>-</b>	<b>318 053</b>	<b>13 135</b>	<b>91 388</b>	<b>-</b>	<b>104 523</b>	<b>213 530</b>
					-				-	-
					-				-	-
<b>SUB TOTALS CARRIED FORWARD</b>	<b>153 855 096</b>	<b>33 468 844</b>	<b>-</b>	<b>-</b>	<b>187 323 940</b>	<b>9 484 368</b>	<b>1 664 093</b>	<b>-</b>	<b>11 148 461</b>	<b>176 175 478</b>
	-	-	-	-	-	-	-	-	-	-
<b>WIP</b>	<b>4 058 018</b>	<b>4 598 091</b>		<b>-</b>	<b>8 656 108</b>				<b>-</b>	<b>8 656 108</b>
<b>TOTAL</b>	<b>157 913 114</b>	<b>38 066 934</b>	<b>-</b>	<b>-</b>	<b>195 980 048</b>	<b>9 484 368</b>	<b>1 664 093</b>	<b>-</b>	<b>11 148 461</b>	<b>184 831 587</b>

**NKANDLA MUNICIPALITY**

**APPENDIX D**

**ANALYSIS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

Restated Actual 2010 R		Actual 2011 R	Budget 2010 R
	<b>INCOME</b>		
<b>36 096 886</b>	<b>Government and Provincial grants and subsidies</b>	<b>57 488 260</b>	<b>-</b>
27 995 163	- Equitable share	34 331 846	
8 101 723	- National / Provincial Government	23 156 414	
-	- Public / Local Government	-	-
<b>2 137 688</b>	<b>Operating Income</b>	<b>10 514 326</b>	<b>-</b>
1 241 069	- General Rates	1 422 804	
-	- Penalties	384 719	
-	- Interest on debtors	117 987	
538 819	- Interest on Investments	1 219 903	
-	- Cemeteries	8 206	
-	- Library	14 049	
357 800	- Refuse Removal	126 014	
-	- Electricity sales	7 220 645	
<b>415 692</b>	<b>Other income</b>	<b>518 929</b>	<b>-</b>
141 887	- Miscellaneous	3 404	
-	- Tender Monies	84 256	
-	- Wood sales	1 217	
-	- Hall Hire	18 583	
273 805	- Rent	-	
-	- Plant hire	340 800	
-	- TLB Income	4 474	
-	- Proceeds from sale of assets	2 933	
-	- Connection fee	-	
-	- Licence and permits	5 882	
-	- Commision Recieved	11 194	
-	-	46 187	
-	Interest earned	42 051	
<b>38 650 266</b>	<b>TOTAL INCOME</b>	<b>68 563 566</b>	<b>-</b>
	<b>EXPENDITURE</b>		
	<b>OPERATING EXPENDITURE</b>		
15 648 361	Salaries, wages and allowances	16 347 395	
11 808 052	General expenses	20 540 555	
2 260 800	Depreciation		
836 809	Repairs and maintenance	661 125	
499 260	Operating lease expence	-	
318 182	Finance costs	-	
67 151	Increase in provision for bad debts	-	
-	Contributions to funds	-	
-	Contributions to projects	1 987 324	
31 438 615	Gross operating expenditure	39 536 399	-
-	Less : Amounts recharged	-	-
<b>31 438 615</b>	<b>Net operating expenditure</b>	<b>39 536 399</b>	<b>-</b>
<b>7 211 651</b>	<b>SURPLUS/(DEFICIT)</b>	<b>29 027 166</b>	<b>-</b>